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COVER NOTE

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Slovakia

{SWD(2026) 225 final}

EN EN

Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Slovakia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 ([1]), and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances ([2]), and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

[1] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[2] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011 ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

(2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 ([3]). The proposal aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States in the coordination of their economic policy in line with Article 175 (TFEU).

(3) On 25 November 2025, the Commission adopted an opinion on the 2026 draft budgetary plan of Slovakia. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it identified Slovakia as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area ([4]) on 21 April 2026 and the Joint Employment Report, and the Recommendation on human capital on 9 March 2026.

(4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. The European Semester is aligned with the Competitiveness Compass, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of the Recovery and Resilience Facility (RRF) implementation ([5]). Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

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[3] Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 - COM(2025) 565 final. The proposed Regulation is currently the subject of negotiations with the co-legislators.

[4] OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

[5] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(6) On 3 June 2026, the Commission published the 2026 country report for Slovakia. It assessed Slovakia's progress in addressing the relevant country-specific recommendations and took stock of Slovakia's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Slovakia is facing. It also assessed Slovakia's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(7) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Slovakia. The main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Slovakia for the purposes of that Regulation were published on 20 May 2026 ([6]). On 3 June 2026, the Commission concluded that Slovakia is experiencing macroeconomic imbalances. In particular, Slovakia faces vulnerabilities related to the external and government balances, competitiveness, the housing market, and household debt persist, with policy action remaining limited. While the current account deficit narrowed in 2025 thanks to lower energy prices and stronger exports, it is expected to deteriorate in 2026 as the external context worsens. The government deficit edged down in 2025 but remains large and weighing on external balances; moreover, it is forecast to be largely unchanged in 2026 and to rise in 2027 assuming unchanged policies, pushing government debt higher. Inflation was well above the euro area in 2025, partly due to VAT rate increases, and core inflation is forecast to stay among the highest in the euro area in 2026. Fast-rising unit labour costs have further weakened competitiveness and are still expected to grow relatively fast in 2026. House prices surged in 2025 amid lower mortgage rates and are likely to keep rising briskly due to constrained supply. Household borrowing grew too with lower interest rates and higher incomes. Policy progress has been limited. Looking ahead, effectively addressing key issues in labour taxation, competitiveness, housing supply, and fiscal policy would reduce vulnerabilities.

(8) On 21 January 2025, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of Slovakia ([7]). The plan covers the period from 2025 until 2028 and presents a fiscal adjustment spread over four years. The Council recommended the following maximum growth rates of net expenditure: 3.8% in 2025, 0.9% in 2026, 1.6% in 2027 and 1.5% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2023 of 10.3% in 2025, 11.2% in 2026, 13.0% in 2027 and 14.8% in 2028. For the years 2025-2028, these maximum growth rates of net expenditure coincide with the corrective path, as recommended by the Council under Article 126(7) TFEU on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit ([8]), the excessive deficit procedure for Slovakia is held in abeyance.

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6 SWD(2026) 142 final.

7 Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Slovakia (OJ C, C/2025/645, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/645/oj).

8 Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Slovakia, adopted on 21 January 2025. All documents related to the excessive deficit procedure of Slovakia can be found at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/slovakia_en.

(9) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending ([9]) and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Slovakia, on 8 July 2025 the Council, upon a recommendation from the Commission, adopted a Recommendation allowing Slovakia to deviate from the recommended maximum growth rates of net expenditure ([10]). The period when the national escape clause is activated (2025-2028) allows Slovakia to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

(10) On 30 April 2026, Slovakia submitted its 2026 Annual Progress Report ([11]) on adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Slovakia's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(11) Real GDP growth in 2025 was 0.8% and HICP inflation stood at 4.2%. The Commission Spring 2026 Forecast projects real GDP to grow by 0.8% in 2026 and 1.5% in 2027, and HICP inflation to stand at 4.3% in 2026 and 3.2% in 2027.

(12) Based on data provided by Eurostat ([12]), Slovakia's general government deficit decreased from 5.3% of GDP in 2024 to 4.5% of GDP in 2025. The decrease in the deficit in 2025 mainly reflects the consolidation measures and lower-than-expected defence investments, owing to delays in the delivery of certain military equipment. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 4.6% of GDP in 2026 and 5.4% of GDP in 2027. The marginal increase in 2026 primarily stems from an increase in investment driven by the postponed delivery of military equipment from the previous year. The increase of the deficit in 2027 is mainly driven by expected military equipment deliveries.

(13) Based on the Commission's estimates, the fiscal stance ([13]), which includes both nationally and EU financed expenditure, was contractionary, by 1.1% of GDP, in

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[9] Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19.3.2025, C(2025) 2000 final.

[10] Council Recommendation of 8 July 2025 allowing Slovakia to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/3974, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3974/oj).

[11] The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

[12] Eurostat-Euro Indicators, 22.4.2026.

[13] The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

2025. It is projected to be contractionary in both 2026 and 2027, by 0.5% and 1.1% of GDP, respectively.

(14) Based on data provided by Eurostat ([14]), Slovakia's general government debt increased from 59.7% of GDP at the end of 2024 to 61.4% of GDP at the end of 2025.The increase in the debt ratio in 2025 mainly reflects the high government primary deficit. Additionally, the fact that interest expenditures are growing faster than the economy contributes to the increasing trend in debt dynamics. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 63.7% by the end of 2026 and to further increase to 66.9% by the end of 2027. The increase in 2026 and in 2027 mainly reflects the highly persistent government deficits.

(15) Based on Eurostat data ([15]), total general government defence expenditure in Slovakia amounted to 2.0% of GDP in 2025, corresponding to an increase of 0.6 percentage points of GDP compared to the reference year 2021. According to the Commission Spring 2026 Forecast, it is projected at the same level in 2026. This corresponds to an increase of 0.6 percentage points of GDP compared to the reference year 2021.

(16) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Slovakia has not adopted new fiscal policy measures to mitigate the impact of high energy prices on households and firms ([16]).

(17) Based on the Commission's calculations, net expenditure in Slovakia grew by 1.7% in 2025:and 5.4% cumulatively over 2024 and 2025. The net expenditure growth in 2025 is below the recommended maximum growth rate. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also below the recommended maximum growth rate.

(18) Based on the Commission's calculations, net expenditure in Slovakia is projected to grow by 2.9% in 2026, and 8.4% cumulatively over 2024, 2025 and 2026. The projected net expenditure growth in 2026 is above the recommended maximum growth rate, corresponding to a deviation of 0.8% of GDP in annual terms. When considering 2024, 2025 and 2026 together, the projected cumulative growth rate of net expenditure is below the recommended maximum growth rate ([17]).

(19) Furthermore, the insufficient implementation of existing spending reviews in the budgetary process limits their potential for savings, which could otherwise improve public finances.

(20) In 2025, the tax wedge (the taxation of earnings from labour) in Slovakia remained above the EU average for all earnings levels, particularly for low-income earners. Recent increases in mandatory social and health contributions have further raised the tax wedge for this group. Revenues from recurrent property taxes in Slovakia

[14] Eurostat-Euro Indicators, 22.4.2026.

[15] Eurostat, government expenditure by classification of functions of government (COFOG).

[16] This reflects the situation at the cut-off date of the Commission's Spring 2026 Forecast (4 May 2026).

[17] As Slovakia benefits from flexibility under the national escape clause, the assessment of compliance focusses on the latter comparison.

remained low and below the EU average, largely due to the area-based property taxation system, where immovable property is taxed by surface area rather than market value, limiting revenue generation, reducing fairness and contributing to upward pressure on house prices. Revenues from environmental taxation, including taxes on transport, pollution and natural resource use, remain consistently below the EU average, indicating untapped potential to strengthen the 'polluter pays' principle.

(21) Over the past two years, corporate income taxes (CIT) have risen significantly, while the introduction of three CIT brackets in January 2025 has added further complexity. Both the effective tax rate and the statutory CIT rate for large companies exceed the EU average. The business environment is further hampered by a recent tax on payment services. Meanwhile, the increase in the standard VAT rate from 20% to 23% has placed an additional tax burden on households, while two reduced VAT rates, covering many goods and services, complicate the system and increase tax expenditures. Additionally, capital gains from property sales are tax-exempt after five years, narrowing the tax base and encouraging long-term housing investments. Although Slovakia's VAT compliance gap has improved, it remains above the EU average of 8.2%. While Slovakia has made progress in digitalising its tax administration, further advancements, particularly in electronic invoicing and pre-filled tax returns, could help reduce tax leaks, simplify compliance and lower costs. At the same time, PIT e-filing remains low and well below the EU average.

(22) The social welfare system has expanded gradually in recent years, becoming increasingly costly. Extensive social benefits, such as the permanent 13th pension payment, parental bonuses and energy subsidies, are not effectively targeted at vulnerable groups, while energy measures, covering now 90% of households, continue to distort market price signals.

(23) Slovakia continues to face a severe housing shortage, maintaining the lowest housing stock per capita in the EU, with construction activity further weakening as only 7 241 new dwellings were started in the first half of 2025. This downturn aligns with a broader contraction in residential development, as building permits, which peaked in 2021, have since then declined steadily through 2024, leaving Slovakia's overall housing stock well below the EU average. While a new Building Act aimed at streamlining permitting procedures has been adopted, its implementation is in its early stages, and the effects have yet to materialise. The rental sector is similarly underdeveloped, with the proportion of rental housing far below the EU average and showing no growth over time. Census data highlight a stark decline in private rental dwellings, which fell to just 0.86% in 2021. Social housing is also significantly insufficient, representing only 2.5% of the total stock, one of the lowest shares in the EU. These systemic shortages disproportionately affect marginalised communities, particularly Roma families, 86% of whom live in overcrowded conditions, often in segregated settlements lacking basic infrastructure such as reliable access to water. Precarious housing conditions undermine their integration in education and employment. Moreover, homelessness in Slovakia has risen markedly over the past decade. Compounding these challenges, housing allowances cover only a minimal fraction of rental costs, failing to provide meaningful support for rental affordability.

(24) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order

to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(25) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF), the European Social Fund Plus (ESF+) and the Cohesion Fund (CF) in Slovakia, remains below EU average, both in terms of project selection and payments. It is important to step up and accelerate efforts to ensure the swift delivery of investments, while maximising their impact on the ground. Slovakia is already taking action under its cohesion policy programmes to boost competitiveness and growth. However, Slovakia continues to face challenges in implementation in implementation, including those relating to R&D investment and innovation, digitalisation, nature and biodiversity protection and Roma inclusion. At the same time, Slovakia needs to accelerate implementation of the JTF as resources are due for disbursement by the end of 2026. It is essential to ensure that the new investments identified by Slovakia in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation ([18]), are deployed rapidly and effectively.

(26) Slovakia faces several challenges related to the business environment and public administration, digitalisation, research and innovation, the justice and anti-corruption system, decarbonisation and the transformation of industry, the development of zero-emission mobility, the labour market, education and healthcare.

(27) Slovakia's business environment continues to be hampered by an unpredictable regulatory framework. The frequent use of fast-track legislative procedures and amendments initiated by members of the Parliament, often bypassing standard impact assessments and stakeholder consultations, contribute to regulatory instability. Although a better regulation framework is formally in place, it is applied inconsistently and largely in a formalistic manner, limiting its effectiveness in improving the quality and predictability of legislation. As a result, stakeholder consultations and impact assessments are not adequately integrated into the legislative process, and recent measures, including those under the RRP, have delivered only marginal improvements. At the same time, administrative burden remains high, with complex procedures and compliance requirements continuing to hamper business activity. Finally, regulatory and administrative barriers to the Single Market remain in Slovakia, affecting the cross-border provision of services and the freedom of establishment, notably through fragmented driving bans and restrictive retail rules.

(28) The fragmentation of local governance structures continues to undermine the provision of quality public services. A large number of small municipalities, often with limited administrative capacity and insufficient funding relative to their responsibilities, constrains effective investment planning and the absorption of EU funds. While some progress has been made in improving strategic coordination at central level and pooling administrative capacities at local level through the piloting of shared service centres, intermunicipal cooperation remains limited and a comprehensive reform of the local governance has not yet been initiated.

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[18] Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

(29) Transparency and competition in public procurement have been weakened by recent legislative changes. The increase in thresholds for publication and the simplification of procedures have reduced administrative burden but also raised risks for competition and transparency, particularly for below-threshold contracts. Procurement procedures remain lengthy, and the use of lowest-price award criteria continues to dominate, limiting the uptake of quality-related and life-cycle cost considerations. Ensuring effective oversight and reinforcing the role of competent authorities in safeguarding competition and transparency are essential to improve public spending efficiency and support good governance.

(30) Concerns over the judicial system and anti-corruption framework persist, while the capacity to detect, investigate and prosecute high-level corruption has further deteriorated. The perception and reported experience of corruption when doing business in Slovakia remains very high. The risks identified in 2024 and 2025 due to the dismantling of specialised anti-corruption agencies (the Special Prosecution Office and the National Crime Agency) and the reform of the criminal law, which shortened the limitation periods and reduced the sentences for corruption criminal offences, have continued to materialise. This is combined with the exercise of power by the Prosecutor General to annul final decisions of lower prosecutors and the law enforcement authorities in the pre-trial stage. Following the reorganisation of police and prosecution, the numbers of corruption cases detected and prosecuted saw a sharp decline. Several high-profile corruption cases were dropped due to reduced sanction levels for corruption offences and a shortened period for bringing offenders to justice. In December 2025, the attempt to dismantle the Whistleblower Protection Office raised additional concerns over the anti-corruption framework and potential whistleblowers being afraid to come forward with information on high-level corruption. Overall, these developments have further highlighted the lack of a robust anti-corruption framework, which is currently conducive to undue interference. Significant efforts are necessary to address identified deficiencies as regards insufficient specialisation of the competent authorities.

(31) In the justice system, the reform of the judicial map was put in place and is under evaluation. However, concerns remain regarding the still insufficient safeguards for the independence of the judiciary, notably concerning the members of the Judicial Council whose powers were further increased for instance in the disciplinary procedures. These developments pose direct risks to Slovakia's business and regulatory environment.

(32) Slovakia has progressed in digital infrastructure in both urban and rural areas, with private telecom operators investing in gigabit and 5G networks. Still, the relatively poor coverage in rural areas, with limited public spending, requires further efforts. Legislative measures introduced in 2025, including the Construction Law and the Gigabit Infrastructure Act, are expected to support the rollout of digital infrastructure, but some regulatory challenges persist. The slow adoption of digital technologies in Slovakia continues to hinder competitiveness and growth, with only 57% of small to medium-sized enterprises (SMEs) reaching at least basic digital intensity in 2025, compared to the EU average of 71%. The lack of sufficient digital skills and upskilling opportunities among employees and difficulties in attracting ICT specialists poses significant challenges for businesses. Despite a number of ongoing efforts, fragmentation, a lack of focus on user experience and slow e-government delivery weaken reform credibility, highlighting the need for improved data governance, interoperability and further integration of eGovernment services.

(33) Slovakia, classified as an ‘emerging innovator’ in 2025, registered a growing disparity between its performance and the EU average. Public sector spending on R&D decreased from 0.45% in 2023 to 0.39% in 2024, significantly below the EU average. In 2023, the government committed to maintaining a trajectory of annual increases in public R&D spending, which should reach 0.67% of GDP by 2030. This trajectory needs to be maintained to improve Slovakia’s competitiveness, complemented by a further stimulation of private R&D investment, which remains critically low.

(34) The Slovak R&I environment remains fragmented, and limited progress has been made in improving collaboration between business and the research sector. The R&I ecosystem lacks predictability due to an underdeveloped institutional framework without clearly assigned responsibilities. Promoting practices developed under the RRP linked to conducting international evaluations for the award of grants and for knowledge transfers will be key to contribute to the quality of research outputs and increase their likelihood of successful commercialisation. To further incentivise collaboration among businesses and academia and in particular technology transfer, it would be beneficial for Slovakia to follow international best practice on ownership of intellectual property rights generated at universities.

(35) Opportunities for SMEs to invest in R&D are limited, as the current R&D tax incentive scheme is biased towards larger companies. Improving R&D incentive schemes and gearing R&D policies more towards SMEs could foster Slovakia’s growth potential.

(36) Slovakia’s economy, including its large and energy-intensive industrial sector, continues to face competitiveness challenges amid modernisation efforts and meeting climate objectives. The industry remains a large sector in terms of energy consumption and carbon intensity, though both have decreased in recent years due to efficiency gains and structural shifts. High energy prices continue to pose a significant challenge for businesses, reflecting structural issues. To achieve a cost-effective transition to decarbonisation while maintaining industrial competitiveness, Slovakia needs to continue investing in energy efficiency and advance the electrification of industrial processes. This could also be incentivised through measures improving the electricity-to-natural gas price ratio. The potential of domestic manufacturing in the production of net-zero production technologies remains underutilised. The integration of emerging industrial sectors into EU value chains and advancing towards more innovation-driven products remain a key opportunity for the Slovak economy.

(37) Despite Slovakia’s effort in diversifying natural gas supply and reducing demand, dependence on Russian fossil fuels remains significant, exposing the country to external risks. In 2025, more than 50% of natural gas and over 80% of oil was of Russian origin. The share of renewables in Slovakia’s electricity mix hovered amongst the lowest in the EU in 2025, while the country’s wind energy potential remains untapped. Slovakia’s decarbonisation relies predominantly on nuclear power, following the phase-out of coal in 2023. Average electricity prices continue to be significantly influenced by expensive natural gas. Reducing its share in electricity generation would help stabilise Slovakia’s electricity system, delivering more affordable prices of electricity and supporting competitiveness. Slovakia has taken steps to accelerate renewable energy deployment and improve the legislative framework as part of its RRP, but the roll-out of renewable energy sources remains very slow. The lack of long-term certainty for renewable energy investors remains a key structural obstacle for the development of new projects. In particular, expanding

the use of power auctions and scaling up long-term contracts would support the development of larger renewable projects, while opening new decarbonisation solutions for energy-intensive industries.

(38) To accommodate the increased needs for electrification of the industry and sustainable mobility, further efforts are needed to accelerate the new grid investments and increasing its capacity. Advancing the decarbonisation of the heating and cooling sector through a greater use of renewable solutions would help achieve climate objectives and contribute to more affordable energy prices. In addition to advancing electrification, the transition of heating to a low-carbon economy could be strengthened by expanding geothermal solutions, as Slovakia benefits from favourable geological conditions in some locations.

(39) The very low penetration of zero-emission mobility in Slovakia limits the domestic competitiveness of the country's large automotive industry. This is exemplified by one of the lowest percentages for new registrations of zero-emission vehicles in the EU, but also by the lagging roll-out of zero-emission charging and refuelling infrastructure. Although Slovakia has adopted some reforms under the RRP, incentives to support the roll-out of zero-emission vehicles and infrastructure have not yet materialised. The roll-out of incentives outlined in the electromobility action plan is crucial to allow the private sector to make significant further investments. Similarly, Slovak railway transport infrastructure is only being slowly modernised, limiting its attractiveness for both passenger and commercial use. Furthermore, Slovakia lacks a centralised approach for long-term funding for construction and renovations of the national transport infrastructure. This could be improved through fixed and predictable national budgetary contributions to development and maintained of transport infrastructure, to be used alongside European and public-private financing. Moreover, the pre-investment phases in transport infrastructure need to be streamlined further to accelerate infrastructure development and upkeep. Additionally, the lack of adequate transport options in Slovakia, in particular in rural areas, often limits mobility and access to essential services for affected low-income households. In particular, public transport connectivity is lagging, as well as the deployment of active mobility options, on-demand transport measures, and social taxis for low-income households in the most affected regions, such as in central and eastern Slovakia.

(40) While Slovakia's climate adaptation plan is in place, the implementation of climate resilience policies is lagging behind due to a lack of institutional preparedness, low awareness at regional and local level and inadequate degree of interministerial cooperation. Water quality and water management continue to deteriorate, also due to hydro-morphological alternations and pesticide contamination, impacting the productivity of industry and agriculture, and human health. While some progress has been made on recycling of packaging waste, Slovakia continues to be at risk of missing the municipal waste and packaging waste targets, as well as its 2035 target on landfilled municipal waste. The productivity of agriculture, forestry and water-related industries is also affected by the degrading nature of ecosystems, with major economic impacts. This is caused mostly by pressures such as unsustainable forestry and agriculture, infrastructure development and invasive species.

(41) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital-related structural challenges in the areas of

skills and education, which hamper competitiveness. The 2026 country-specific recommendations addressed to Slovakia can contribute to the implementation of the Council Recommendation on human capital in the Union.

(42) The high long-term unemployment of underrepresented groups, particularly Roma, low-skilled and older workers, remains a challenge, deepening skills gaps and regional disparities. However, while the situation is worse in the eastern regions of the country, investments in policies to help vulnerable groups of people find or maintain employment remain low. Participation in the job market, especially for women, is hindered by the insufficient availability and use of affordable high-quality early childhood education and care services, particularly for children under the age of 3, with disparities affecting disadvantaged groups. Also, flexible work arrangements, such as part-time and tele-working opportunities, remain very limited.

(43) Slovakia faces persistent challenges in its education and skills system, constraining long-term growth and labour market outcomes. Limited progress has been made in strengthening basic skills, especially among disadvantaged learners, including in marginalised Roma communities. A high share of pupils lacks minimum proficiency in core subjects, with outcomes below the EU average. Absenteeism and early school leaving, notably in rural areas, further weaken educational outcomes. Despite ongoing reforms, access to support measures remains insufficient, particularly for pupils with special educational needs, hindering equal and inclusive access to quality education.

(44) Significant skills shortages persist, affecting over half of enterprises, and reflect a mismatch between workforce skills and labour market needs. While some progress has been made in adult learning, participation remains low, especially among low-skilled workers. Participation in work-based learning remains below the EU average, and basic digital skills gaps and low female participation in STEM persist. Further efforts are needed to scale up reskilling and upskilling, strengthen teacher training, improve the implementation of curricular reforms, and increase enrolment in STEM fields. At the same time, low tertiary attainment, high student outflows and weak return rates, particularly in high-demand sectors, weigh on the availability of skilled labour. In this context, the integration of third-country nationals into the labour market remains limited and fragmented, with a lack of a comprehensive framework supporting their long-term inclusion. Strengthening the retention and attraction of skilled professionals would help address labour shortages and support economic competitiveness.

(45) The resilience of Slovakia's healthcare system remains under significant strain due to a shortage and ageing of healthcare professionals. Staffing levels are below the EU average, with general practitioners facing a 21% shortfall and nearly a quarter of nurses nearing retirement. Despite recent salary increases for some medical staff, retention challenges endure, fuelled by poor working conditions, low interest in primary care careers, and outward migration. Efforts to address workforce and infrastructure gaps remain inadequate, with preventive care receiving just 2.7% of health spending in 2023 — far below the EU average. Despite RRP-funded clinics and screening expansions, these measures have yet to significantly improve access or equity. Persistent debt and long payment delays in major state hospitals reflect system inefficiency, compounded by high out-of-pocket costs. The RRP has contributed to some improvements in the coordination of healthcare services. However, further efforts are needed to strengthen primary care and preventive care, especially for

vulnerable people, secure the supply of critical medical products and ensure long-term fiscal sustainability.

(46) Long-term care services continue to be underfunded and remain rather limited, especially for vulnerable groups. Due to the ageing population, public expenditure on long-term care is projected to rise in the medium and long term. Workforce shortages and regional disparities constrain service provision, particularly in rural areas and eastern regions of Slovakia. Despite some initial reforms and investments introduced under the RRP, access to affordable, and quality long-term care remains uneven across regions and community-based services are still insufficiently developed.

(47) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026 the Council recommended that the euro-area Member States take action, including through their RRPs, to implement the 2026 Recommendation on the economic policy of the euro area. For Slovakia, the recommendation (1) helps implement the first, the second, the third and the fifth recommendations on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendation (3) helps implement the eighth and the ninth recommendations on the euro area, recommendation (4) and (5) help implement the seventh recommendation on the euro area and the recommendation (6) helps implement the fifth recommendation on the euro area.

(48) In light of the Commission's in-depth review and conclusions on the existence of imbalances, recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations (1), (2), (3) and (5). Policies referred to in recommendation (1) help to address vulnerabilities linked to housing market and household debt. Policies referred to in recommendations (1), (2) and (5) help to address vulnerabilities linked to external and government balances. Policies referred to in recommendations (1), (3) and (5) help to address vulnerabilities linked to competitiveness. Recommendations (1), (2), (3) and (5) contribute to both addressing imbalances and implementing the 2026 Recommendation on the economic policy of the euro area, in line with recital 47.

HEREBY RECOMMENDS that Slovakia take action in 2026 and 2027 to:

1. Continue adhering to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit, while making use of the flexibility under the national escape clause for higher defence expenditure. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Make the tax mix more efficient, including by reducing disincentives in the labour market, and making stronger use of environmental and recurrent property taxation. Simplify the taxation system and improve spending efficiency, including by aligning spending reviews with the budgetary process. Continue to strengthen tax compliance, including by further digitalising the tax administration. Preserve price incentives for energy savings and better target social spending. Speed up construction by streamlining spatial planning

and permitting procedures, expand the private rental market, and promote affordable and social housing.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Accelerate efforts to implement cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities and flexibilities in the mid-term review of the cohesion policy framework.

3. Improve the business environment by creating a more predictable regulatory framework, and ensuring that impact assessments and stakeholder consultations are integrated into the legislative process. Tackle remaining barriers to service provision. Address the fragmentation of governance structures, including by preparing a reform of the local governance. Improve provision and user experience of eGovernment services. Ensure transparency and competition in public procurement processes. Strengthen the judicial system, including its independence, and improve the effectiveness of the anti-corruption framework, including by ensuring adequate, autonomous and effective detection, investigation and prosecution of high-level corruption cases and sufficient, specialised capacity at police and prosecution level.

4. Continue to expand gigabit connectivity, in particular in underserved areas. Increase the adoption of digital technologies, particularly among SMEs, by removing bottlenecks in their roll-out. Improve research and innovation policy by continuing increases to public R&D investment, streamlining the R&I governance, funding and evaluation systems, incentivising collaboration between business and the research sector, and by revising the R&D tax incentive scheme to provide greater support to SMEs.

5. Promote investments to advance industrial competitiveness, including through incentivising decarbonisation and electrification, and economic diversification. Accelerate the diversification of energy supply to phase out dependence on Russian sources. Accelerate the roll-out of renewables, in particular wind energy, and make the procedures for connecting to the grid more efficient. Support further investments in grids, in particular electricity networks, and in the decarbonisation of the heating sector. Support further roll-out of zero-emission mobility, reform the transport investment management and modernise the state of the rail network. Strengthen resource waste management and reuse of municipal and packaging waste, the conservation of natural resources, and increase climate and water resilience, including by mainstreaming nature-based solutions and finalising the zonation of nature-protected areas.

6. Strengthen the labour market participation of underrepresented groups, particularly in regions with high unemployment, and introduce more flexible work arrangements. Increase the availability of affordable high-quality early childhood education and care for children under the age of 3. Ensure equal and inclusive access to quality education at all levels, with a focus on teaching of basic skills, including for children from disadvantaged backgrounds. Scale up adult reskilling and upskilling opportunities, including by investing in digital skills and teacher training and increasing enrolment in STEM education programmes. Enhance the retention and attraction of skilled professionals to address workforce shortages. Improve primary care provision and expand preventive healthcare measures. Strengthen the resilience and fiscal sustainability of the health and long-term care systems and ensure affordable and quality long-term care.

Done at Brussels,

For the Council
The President